The Assessment & Real Property Taxation of Farms in B.C.

Published By:

BC

Ministry of Agriculture and Fisheries
November, 1986
Farmland Resources Branch

THE ASSESSMENT AND REAL PROPERTY TAXATION OF FARMS IN BRITISH COLUMBIA

PREPARED BY:

GRAHAM N. G. DRAGUSHAN

FARMLAND RESOURCES BRANCH

MINISTRY OF AGRICULTURE AND FISHERIES

VICTORIA, B.C.

Canadian Cataloguing in Publication Data

Dragushan, Graham N. G., 1947-

The assessment and real property taxation of farms in British Columbia

ISBN 0-7726-0586-6

1. Farms - Taxation - Law and legislation - British Columbia. 2. Real property tax - Law and legislation - British Columbia. I. British Columbia. Farmland Resources Branch. II. Title.

KEB514.D72 1986 343.71105'4 C87-092010-3

PREFACE

This publication has been prepared in response to the need for information on how farm property is classified, valued, and taxed. Our primary effort has been to present an overview of these systems, without describing them in detail.

For those wishing to gain more information, the Ministry of Finance publishes a booklet entitled "Real Property Taxation in Rural Areas..." which provides a good overview of the property taxation system. These booklets are available in the Government Agent offices of the throughout the province.

The British Columbia Assessment Authority publishes a booklet, "Taxation of Land in British Columbia", and a brochure entitled "Farm Classification in B. C." The Authority also publishes the necessary application forms and procedures to be followed by owners who wish to have their land classified as a farm. These should be available in the various local offices of the Authority.

For information on income taxation and tax planning, the Ministry of Agriculture and Fisheries publishes an informative booklet entitled "Taxation and the B.C. Farmer", while Revenue Canada's "Farmer's Income Tax Guide" is published annually to assist farmers in completing their income tax forms.

Information concerning fuel taxes or "sales" taxes can be provided by the Provincial Ministry of Finance Consumer Taxation Branch. Appropriate regulations may be acquired from the Queen's Printer in Victoria.

Business taxes ("licences" under the Municipal Act), and frontage and other taxes based on a unit of real property are under the jurisdiction of local governments, and the appropriate offices should be consulted.

Note: While the information contained in this document is current at the time of publication, legislation and regulation is subject to change at any time. Therefore, landowners are urged to confirm relevant information with the British Columbia Assessment Authority and the appropriate local or provincial taxing authorities.

J. D. Anderson, Director
Farmland Resources Branch
Ministry of Agriculture and Fisheries
Victoria, B.C.
V8W 2Z7

November 15, 1986

TABLE OF CONTENTS

1. Introduction 1

2. The Assessment and Taxation Systems 2

3. The Assessment System 3

   3.1 Classification 3
   3.2 Valuation 5

4. The Taxation System 9

   4.1 Legislative Authority 9
   4.2 Exemptions 10
   4.3 Tax Rates 12

5. Summary of Major Points 14

FIGURE

Figure 1: Sample Assessment Notice: Delta Farm Example 8

TABLES

Table 1: Excerpts from Minimum Production Tables (1985) . . . 5

Table 2: Excerpt of Valuation Regulation (Delta) 6

Table 3: Calculation of Actual Value: Delta Farm Example . . . 7

Table 4. Property Taxation Authority by Local Jurisdiction . . 10

Table 5 Exemption Policy Framework for Farms 11

Table 6: Tax Calculations 13

APPENDICES

Appendix 1: Farm Classification Standards 15

Appendix 2: Primary Property Tax Legislation 19

THE ASSESSMENT AND REAL PROPERTY TAXATION OF FARMS IN BRITISH COLUMBIA

1. Introduction

The assessment and taxation of farms in British Columbia is different in many respects from the assessment and taxation of other kinds of private property. This publication describes the real property assessment and taxation system of British Columbia as it affects the farming community. "Real" property is property such as land or buildings which can be taxed, as opposed to "personal" property such as furniture, tools or automobiles which cannot be taxed.

(a) **Limitations:** There are several things this publication is not intended to address. Since the focus is farm land, this booklet is not a guide to the entire property assessment and taxation systems in British Columbia. Thus there is no reference to the Courts of Revision, or to many other subjects affecting those systems.

This publication is not a guide to applications for farm land classification. Specific instructions on that subject are available from the local offices of the British Columbia Assessment Authority throughout the province.

Finally, this publication deals only with the ad valorem tax (that based on the value of real property). Taxes based on a unit of real property (such as parcel or frontage taxes), income taxes, business taxes, sales or other taxes are not addressed.

Note: In the event of a discrepancy, the Acts and Regulations referred to in this publication are the final authority.

2. The Assessment and Taxation Systems

Assessment and taxation of real property are separate, but closely related activities*. Assessment refers to the classification and valuation of classes of property according to objective criteria found in legislation, and in the principles of fairness and equity (within the property tax system) that have evolved with the concept of property assessment. Property taxation is the distribution by government of the costs of some government services to property owners across various classes of property.

These two systems used together produce a dollar figure of tax payable for private property. Using the assessment system (administered by the British Columbia Assessment Authority), one starts with the "classification" of the property and determines the "actual value". Using the taxation system (administered by the various local taxing authorities), one then deducts "exemptions" from the actual value, and applies a "tax rate" to the net taxable value to get gross taxes payable:

(Actual Value - Exemptions) x Tax Rate = Gross Tax Payable.

In addition, if the farm property has a residence, and if the farmer is a qualified occupant under the Home Owner Grant Act, then the Home Owner Grant may be subtracted to arrive at net tax payable.

The calculation of property tax ultimately payable for farms varies according to several criteria. These include whether the property is classified as a farm, or as some other property class (such as residential or commercial if it does not qualify for farm class). If it is classified as a farm, criteria include the nature of the soil, the nature and intensity of farm use, whether the land is in or outside of a municipality, and whether the land is in a specified area or improvement district for local services. For certain non-farm classes of property, whether the land is within the Agricultural Land Reserve is also a factor.

These subjects are explained below, and in particular how farms are treated within the assessment and taxation system.

* Historically, assessment was simply the first phase of property taxation. However, eligibility for farm classification (part of the assessment system) is also often used as a criterion for access to some farm support programs.

3. The Assessment System; Classification and Valuation

The legal basis for real property assessment is the Assessment Act, under which regulations and procedures for classification and uniform valuation of land and improvements are established. The Act specifies in Section 2 that property liable to assessment (ie. occupied* lands) shall be listed in an "assessment roll" for each local jurisdiction. The assessment system is administered by the British Columbia Assessment Authority.

Classification and valuation are the two primary elements of the property assessment system. Classification refers to the division of various kinds of property into groups such as residential, commercial or industrial. Valuation refers to the process of setting values for property. The valuation process establishes the "actual value" of the property - that value upon which taxes are eventually calculated.

3.1 Classification: Under the Assessment Act, all property subject to assessment is classified according to its use. These "prescribed classes of property" are set out under B.C. Reg. 438/81 as follows.

Class 1	-	Residential
Class 2	-	Utilities
Class 3	-	Forestry
Class 4	-	Machinery and Equipment
Class 5	-	Industrial
Class 6	-	Business and Other
Class 7	-	Tree Farm
Class 8	-	Seasonal Resort, Recreational Property and Fraternal Organization
Class 9	-	Farm

Farm land is classified by itself in Class 9, "farm". Farm improvements, including all buildings and the farm residence, are classified as Class 1, "residential".

* The definition of "occupier" in the Act excludes people who have "a class of interest designated by the Lieutenant Governor in Council as an exempt interest" for the purpose of the definition. By Order-in-Council 1707/85, the Lieutenant Governor in Council designated grazing licences issued under the Range Act as an exempt interest. Thus a grazing licence is not occupied under the terms of the Assessment Act and is not assessable or taxable.

(a) **Classification of Land as a Farm:** Under section 28 of the Assessment Act, standards are set for the classification of land as a farm. The regulation (B.C. Reg. 298/85, see Appendix 1) defines "primary agriculture production" and requires a specific level of farm gate sales of that production for land to be classified as a farm. This level is currently $1,600 for the first 4 hectares and 5% of the actual value (as a farm) of the land that exceeds 4 hectares.

Unlike other classes of property, an owner must apply for farm classification (B.C. Reg. 300/82). Otherwise the property will be classified according to its predominant non-farm use, usually in the residential classification.

The evidence of production required for classification as a farm is either supported by receipts from the sale of produce, or it may be extrapolated from the size of crop of other farm production in place. The latter form of evidence is related to base level criteria developed by the Assessment Authority from federal and provincial production statistics (see examples in Table 1).

These criteria establish the minimum number of animals, poultry, etc., or the minimum area of various crops required to qualify for farm classification are listed. The local assessor is thus able to conclude whether a property should be classified as a farm or whether it should retain that classification.

(b) **Developing Farms:** When land is being developed as a farm, the regulation allows for farm classification in advance of actual farm production. Two alternative situations are provided for:

(i) where crops are planted or production facilities are in place, the Section 3(2) of the Regulation allows for the immediate granting of farm classification by the British Columbia Assessment Authority's local assessor; or

(ii) under section 7 of the Regulation, where farm development requires substantial capital investment over an extended period of time before production can begin, and where 50% of the capital investment is made according to a farm development plan approved by the Assessment Authority's Assessment Commissioner, farm land classification can be granted by the local assessor.

Table 1: Excerpts from Minimum Production Tables (1985)

Commodity	Typical Yields (annual production)	Value of Production	Required to produce $1600
Livestock Production:			
Aquaculture (Chinook Salmon)	3 lb fish	$3.22/lb	166 fish
Dairying	16,740 lbs @3.61% B.F.	$3787/cow	Dairy quota
Beef (Cow-calf)	387 lb calf ave.	$74.37/cwt	6 brood cows
Poultry (Broiler)	4 lb birds	$0.53/lb	980 birds
Tree Fruit Production:			
Apples	17,800 lb/acre	$1262/acre	1.27 acres
Peaches	10,800 lb/acre	$2011/acre	0.80 acres
Cherries	6,900 lb/acre	$2129/acre	0.75 acres
Berry Crop Production			
Strawberries	4800 lb/acre	$2309/acre	0.69 acres
Raspberries	6400 lb/acre	$4066/acre	0.39 acres
Blueberries	5060 lb/acre	$2495/acre	0.64 acres
Vegetable Production			
Broccoli	6393 lb/acre	$1995/acre	0.80 acres
Corn	10,806/acre	$876/acre	1.83 acres
Lettuce	29,657 lb/acre	$5901/acre	0.27 acres
Cereal/Oilseed Production			
Feed barley	48 tons/acre	$110/acre	14.56 acres
Canola	27 bu/acre	$170/acre	9.42 acres
Wheat	34.8 bu/acre	$121/acre	13.17 acres

3.2 Valuation: In establishing the "actual value" of farm land (i.e. class Class 9 property), section 28 of the Assessment Act requires the valuation to reflect its value only as a farm. The alternate use potential (reflected in the market value) is not recognized. This valuation is based on historical farm sales where the market value hinged on the value of the land for farm use alone. The current process for valuation is described as follows.

(a) Regulated Valuation: To simplify the determination of the actual value of farm land, values per unit area are established by the British Columbia Assessment Authority under the "Farm Land Valuation Schedule Regulations" (B.C. Reg. 276/84 - see Table 2 for an example of the Valuation Schedule for farm lands within the municipality of Delta).

The value factors vary throughout the province according to the quality of land, the intensity or the nature of the farm use and the level of agricultural improvements made to the land. Thus, good quality land is valued higher than poor quality land, cultivated land is valued higher than grazing or pasture land, and land with irrigation or other improvements is valued higher than land without added agricultural improvements.

Table 2: Excerpt of Valuation Regulation (B.C. Reg. 276/84) Assessment Area 11, School District 37 (Delta)

Land Use	1		2		3		4		5	
LAND CAPABILITY	CULTIVATABLE $ PER ACRE	RATE CODE	SPECIAL CROP IRRIGATED CROP $ PER ACRE	RATE CODE	ROUGH CLEARED ROUGH PASTURE $ PER ACRE	RATE CODE	PERMANENT PASTURE $ PER ACRE	RATE CODE	UNIMPROVED $ PER ACRE	RATE CODE
1	3,480	9011	4,060	9021	1,915	9031			900	9051
2	2,860	9012	4,060	9022	1,570	9032			740	9052
3	2,290	9013	4,060	9023	1,260	9033			600	9053
4	1,600	9014	4,060	9024			880	9044	420	9054
5	1,330	9015					660	9045	350	9055
6 & 7	WASTE								15	9056
D Farmstead	3,480	9010								

(b) Actual Value Calculation: To enable the calculation of actual values from the values derived from the valuation regulation, each farm property is described by the Assessment Authority's local assessor on property or 'field' cards. These field cards include information on the property such as the soil's agricultural capability (ie. the Canada Land Inventory ratings), the intensity

of use and any agricultural improvements to the land. Each unique area of the farm is identified on the field card, and then valued by applying the appropriate valuation factor from the Regulations. The sum of the calculated values for each part of the farm is the actual value for the land.

Unlike market value, the "actual value" determined in this way varies directly with the size of the parcel. In other words, the actual value of a parcel of 100 hectares of farm land would be 10 times the actual value of a 10 hectare parcel of identical land.

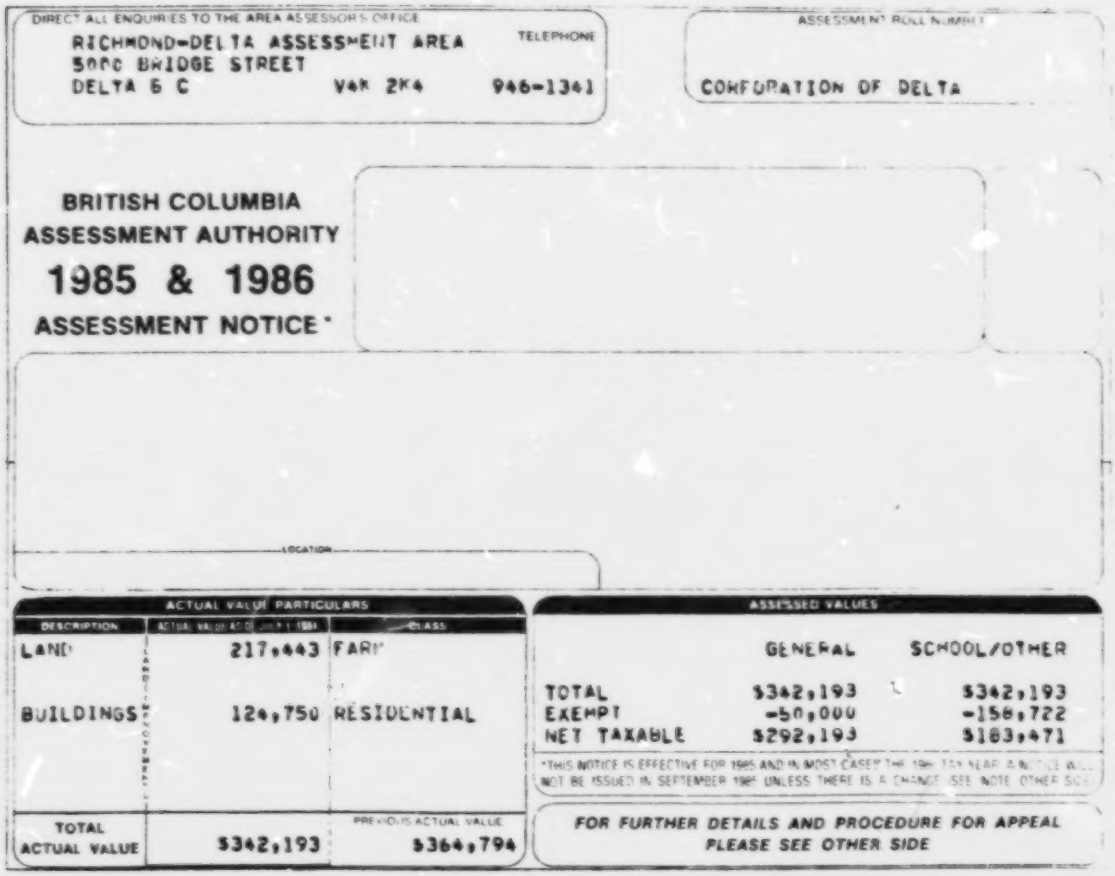
The actual value calculation is made in Table 3 for one parcel of farmland - a farm located in Delta (see Table 2 for valuation factors used in this calculation). That property is part of a moderate sized dairy farm. The property is about 38.5 hectares or 95.2 acres (note that the Assessment Authority still uses the imperial system of land measurement). Of that area, 3.3 acres is used for the farmstead with the remainder in cultivation.

Table 3: Calculation of Actual Value: Delta Farm Example

Unique Area	Land Capability	Area (acres)	Valuation Factor	Actual Value
Farmstead	-	3.3	$3480/acre	$11,484.00
Cultivated land	2	85.322	$2860/acre	$195,387.00
Cultivated land	3	6.608	$2290/acre	$10,572.00
Total value of farmland for:		95.23 acres		$217,443.00.

The assessment notice for that farm is shown in Figure 1. The total value of the farmland appears next to 'land' in the "actual value particulars" column on the lower part of the assessment notice. Farm buildings, listed next to 'buildings' in the actual value particulars, include a house valued at $66,900 and out-buildings valued at $57,850 for a total of $124,750.

Figure 1: Sample Assessment Notice: Delta Farm Example



DIRECT ALL ENQUIRIES TO THE AREA ASSESSOR'S OFFICE
RICHMOND-DELTA ASSESSMENT AREA
5000 BRIDGE STREET
DELTA B C V4K 2K4
TELEPHONE 946-1341

ASSESSMENT ROLL NUMBER
CORPORATION OF DELTA

BRITISH COLUMBIA
ASSESSMENT AUTHORITY
1985 & 1986
ASSESSMENT NOTICE *

LOCATION

ACTUAL VALUE PARTICULARS

DESCRIPTION	ACTUAL VALUE AS OF JULY 1, 1985	CLASS
LAND	217,443	FARM
BUILDINGS	124,750	RESIDENTIAL
TOTAL ACTUAL VALUE	$342,193	PREVIOUS ACTUAL VALUE $364,794

ASSESSED VALUES

	GENERAL	SCHOOL/OTHER
TOTAL	$342,193	$342,193
EXEMPT	-50,000	-158,722
NET TAXABLE	$292,193	$183,471

*THIS NOTICE IS EFFECTIVE FOR 1985 AND IN MOST CASES THE 1986 TAX YEAR. A NOTICE WILL NOT BE ISSUED IN SEPTEMBER 1986 UNLESS THERE IS A CHANGE (SEE NOTE OTHER SIDE)

FOR FURTHER DETAILS AND PROCEDURE FOR APPEAL
PLEASE SEE OTHER SIDE

(c) **Non-Farm Land:** For land within the Agricultural Land Reserve not classified as a farm, actual value may be affected by its location in the Reserve. All non-farm land within the Agricultural Land Reserve is valued according to the market value of equivalent lands within the Reserve. Market activity of other similar lands outside of the Agricultural Land Reserve is not considered.

Typically, the location of land within the Agricultural Land Reserve results in a lower market value for that land. Thus, an owner of land within the Reserve may have lower assessments (or in some cases, higher assessments) and thus different property taxes than an owner of a similar parcel outside of the Reserve.

4. The Taxation System

Taxing authorities, through their budgeting process, establish a levy that is to be raised through property taxation. Depending upon the purpose of the tax, the levy is applied to a tax base. The most important tax bases are the general purpose base and the school purpose base. The base is the total taxable value of property within a tax authority's jurisdiction.

In the taxation system various exemptions and tax rates are applied under several statutes. It is in these statutes that variable elements affecting farm exemptions and tax rates are established.

4.1 Legislative Authority: The legal authority for real property taxation is provided primarily by three statutes: the Municipal Act, the Taxation (Rural Area) Act and the Education (Interim) Finance Act. The property location determines which of the acts applies.

(a) **The Municipal Act**: Exemptions from local government general purpose taxation are granted under this Act. Properties located within a municipal boundary (a village, town, district or city) are subject to local government general tax rates for local services.

In addition, those properties located outside of a municipal boundary but within the boundaries of a "junior" local government are subject to local government general tax rates as provided in the Municipal Act. Junior local governments include improvement districts, local communities, specified areas, and defined areas.

(b) **The Taxation (Rural Area) Act**: Exemptions from provincial general purpose taxation are granted under this Act. All properties located in a rural unincorporated area are subject to provincial general tax rates as provided in this Act.

(c) **The Education (Interim) Finance Act**: Certain exemptions are granted from school taxes under this Act. Unlike general purpose taxation, taxation under this Act is not location dependent. All properties whether or not they are located within a municipal boundary, are subject to school tax rates as provided in the Act.

Table 4 summarizes the taxation authority in relation to the three local government jurisdictional alternatives in British Columbia. The relationship and purposes of these statutes is summarized in the matrix in Appendix 2. The matrix emphasizes the differences between the effect of the statutes on agriculture where it differs from other uses of land.

Table 4. Property Taxation Authority by Local Jurisdiction

Local Jurisdiction	Taxing Authority		
	Municipal Act	Taxation (Rural Area) Act	Education (Int.) Finance Act
Municipal Incorporated	Yes	No	Yes
'Junior' Local Govn't; see 4.1 (a)	Yes	Yes	Yes
Rural Unincorporated	No	Yes	Yes

Taxes are collected by either the municipality within which the property is located, or where the property is outside of a municipal jurisdiction, by the Surveyor of Taxes, Ministry of Finance. Tax notices are issued for a property bearing a summary of the basis for the total tax payable.

4.2 **Exemptions:** Exemptions are deductions from actual value of land or improvements for specific tax purposes producing the net taxable value (noted in the 'Assessment Value' column on the Assessment Notice). Exemptions vary according to municipal status and according to the purpose of the tax (general vs. school) as set out in various statutes. Table 5 summarizes the exemption policies affecting farms in British Columbia.

(a) General Taxation: Under the Municipal Act farm land and the farmer's residence are subject to full taxation. Exemptions for

farms in municipalities include full exemption for fruit trees, all farm equipment and machinery used in the operation of the farm, and manure storage facilities. For all other improvements (barns and out buildings), $50,000 of actual value is exempt.

For rural areas outside of municipalities, the Taxation (Rural Area) Act provides for full exemption for all farm improvements, including the farm residence. Only farm land itself is subject to taxation for general purposes.

In the case of the farm example in Delta, the net taxable value of farmland (class 9) totals $217,443 (with no exemption), while the net taxable value of farm buildings (class 1) equals $124,750 less $50,000 or $74,750. These net figures are seen in the 'taxable value' column on the tax notice (see Table 6). If the farm had been in a rural area, the farm buildings would have been fully exempt.

Table 5 Exemption Policy Framework for Farms

Property Category	General Taxation by Municipal Status		School Taxation for All Areas
	Municipal Act	Taxation (Rural Area) Act	Education (Int.) Finance Act
Farm Land (class 9)	taxable	taxable	50% exempt
Farm Improvements (class 1)	$50,000 exempt	exempt	$50,000 exempt
Farm Residence (class 1)	taxable	exempt	taxable

In rural areas, agricultural or horticultural societies are exempt from general property tax on buildings and on up to 8 hectares of land. This exemption may also be available in municipalities if the municipal council chooses to exempt the society.

(b) **School Taxation:** For school purposes, whether in municipalities or not, exemptions are made under the Education (Interim) Finance Act. Land classified as a farm is given a 50% exemption (as is any land within the Agricultural Land Reserve that is either vacant and unused or in residential use). The first $50,000 of actual value of non-residential farm buildings is exempt from tax, as is the total value of all farm equipment and machinery used in the operation of the farm.

Again in the case of the farm example in Delta, the net taxable value of farmland (class 9) totals $217,443 less 50% ($108,722) equalling $108,721. The net taxable value of farm buildings (class 1) equals $124,750 less $50,000 or $74,750.

(c) **Other Taxes:** For most other tax purposes, the hospital base is used. The hospital base is essentially the same as the school base except that British Columbia Hydro property is not included in the hospital. Farm exemptions for these other tax purposes are those determined according to the base used for that tax purpose.

4.3 **Tax Rates:** Tax rates are factors applied to the net taxable value to produce gross taxes for a given property. The tax rates for each tax purpose (calculated on either the general or school base or variants of them) are applied to the net taxable value of the property. The gross tax payable for a given property is the sum of the tax required for each tax purpose.

(a) **General Taxation:** Within municipalities, tax levies and the resultant tax rates for general purposes are set by the Council under the Municipal Act. General tax rates for farm land in municipal areas are currently in the neighbourhood of $5.00 per $1000 of actual value.

Outside of municipalities, the tax rate for general purposes is set out in regulations under the Taxation (Rural Area) Act. For farm land, the current rate is $0.50 tax per $1,000 actual value. For other uses outside of municipalities, the tax rates range from $1.40 to $8.00 per $1000 of actual value.

(b) **School Taxation:** Tax rates are set for school purposes for all non-residential classes of property (including class 9, farm) by the Province under the Education (Interim) Finance Act. However, for class 1, residential land and improvements (including farm residences and other farm improvements), a tax rate is determined by the local school authority.

(c) **Other Taxes:** Tax rates are authorized under various other statutes for purposes such as hospitals, fire protection, regional districts, libraries, etc. These various taxes are again based on a levy applied to the appropriate tax base.

(d) **Tax Rate Limits:** Under the Municipal Act, Cabinet has the power to regulate the ratio of tax rates for various classes of property in relation to Class 1 residential. This regulation prevents local taxing authorities from shifting the tax burden from residential property (their electors) to other classes of property.

Table 6: Tax Calculations: from the Delta Farm Example Tax Notice

SCHOOL — DESCRIPTION OF LEVIES	TAXABLE VALUES	TAX RATES	GROSS AMOUNT	BASIC GRANT ALLOWANCE	BASIC & ADDITIONAL GRANT ALLOWANCE
PROV SCH-FARM	108721.00	5.4700	594.70	594.70	594.70
LOCAL SCHOOL DIST 37	74750.00	5.1376	384.04	384.04	384.04
GROSS SCHOOL TAXES			978.74	978.74	978.74
LESS HOME OWNER GRANT				380.00	630.00
NET SCHOOL TAXES (1)			978.74	598.74	348.74
GENERAL MUNICIPAL & OTHER					
GENERAL-RESIDENTIAL	74750.00	5.2510	392.51		
GENERAL-FARM	217443.00	5.5136	1198.89		
DEBT-RESIDENTIAL	74750.00	1.1023	82.40		
DEBT-FARM	217443.00	1.1574	251.67		
REG DIST-RESIDENTIAL	74750.00	.0928	6.94		
REG DIST-FARM	108721.00	.0926	10.09		
BCAA-RESIDENTIAL	74750.00	.1420	10.61		
BCAA-FARM	108721.00	.1420	15.44		
REG HOSP-RESIDENTIAL	74750.00	.3217	24.05		
REG HOSP-FARM	108721.00	.3217	34.98		
M F A-RESIDENTIAL	74750.00	.0020	.15		
M F A-FARM	108721.00	.0020	.22		
DRAINAGE-FARM	217443.00	.8154	177.30		
DELTA WATER-RESIDENT	74750.00	.2048	15.31		
DELTA WATER-FARM	217443.00	.2150	46.75		
L/SD REC AREA-RESID	74750.00	.6000	44.85		
L/SD REC AREA-FARM	217443.00	.6300	136.99		
GENERAL TAX TOTAL LESS RESIDUAL HOME OWNER GRANT			2449.15	2449.15	2449.15
NET GENERAL TAX TOTAL (1)			2449.15	2449.15	2449.15
NET SCHOOL TAXES			978.74	598.74	348.74
TOTAL PAYABLE			3427.89	3047.89	2797.89

5. Summary of Major Points

(a) Regulations set criteria for the classification of land as a farm (Class 9) where the owner can show a base level of agricultural production and sales, or where a farm is being developed that will achieve that base production level.

(b) The actual value of land classified as a farm is based only on its value as a farm (as prescribed by the Regulations), not the market value (as is the case for most other private lands).

(c) Where land is classified as farm (or where vacant or residential land is in the Agricultural Land Reserve), there is an exemption of 50% of the actual value of the land in the calculation of school taxes.

(d) There are several differences between exemptions for general tax purposes within and outside of municipalities. Improvements (in excess of $50,000) as well as the farm residence are fully taxable within municipalities, whereas they are fully exempt in rural areas.

(e) Rates of taxation for general and other purposes are set by local authorities for each class of property. In rural areas, the general tax rate is set by the Province by Regulation. School tax rates are set by the local school authority for residential (Class 1) and by the Province for all other property classes, including Class 9, Farm. These rates yield gross taxes when applied to net actual values.

(f) The basic tax rates and basic exemptions for farms for general purposes within municipalities are different from those rates and exemptions for farms outside of municipalities. Thus a farmer within a municipality would pay higher taxes than would the owner of an identical farm located in a rural area.

Appendix 1

B.C. Reg. 298/85
O.C. 1768/85

Deposited September 20, 1985

Assessment Act

STANDARDS FOR THE CLASSIFICATION OF LAND AS A FARM

Interpretation

1. (1) In this regulation

"farm gate price" means the price actually received by the producer from the sales of primary agricultural production as evidenced by receipts for those sales or, in the absence of receipts, the appropriate price shown in the farm price schedule issued by the Commissioner as derived from statistical information compiled by the British Columbia Ministry of Agriculture and Food and the Market Information Service, Agriculture Canada;

"feedlot" means an area of land used for livestock fattening or finishing for market;

"livestock raising" means the breeding or raising of livestock for food for human consumption or the breeding of horses for sale;

"primary agricultural production" means livestock raising, poultry raising, egg production, dairying, horticulture, apiculture, aquiculture, fur farming, plantation culture of Christmas trees, seed production, sod farming, forest seed orchards and nurseries or wool production and includes the growing or raising of an agricultural crop for food for human or animal consumption, but does not include those manufactured derivatives produced from agricultural raw materials;

"July 1" means July 1 in the year preceding the year for which the assessment roll is prepared;

"unrealized value" means,

(a) in relation to primary agricultural production other than livestock raising, the value of the products of primary agricultural production that have been produced on the land in the 12 month period ending July 1 that have not been sold but are available and offered for sale or held for sale the following year, or

(b) in relation to livestock raising, where the livestock have been raised on the land in the 12 month period ending July 1 and have not been sold but are available and offered for sale or held for sale the following year,

(i) the increase in value attributable to weight gain of livestock raised for sale for food for human consumption,

(ii) the value of horses born and raised for sale, or

(iii) the value of livestock born and raised for sale for food for human consumption.

(2) Notwithstanding the definition of "livestock raising", land used for livestock raising in 1978 that was classified as a farm for 1979 shall continue to be classified as a farm as long as

(a) the use of the land for the purpose continues,
(b) the land remains in the same ownership, and
(c) the land meets the requirements of this regulation in all other respects.

Application

2. This regulation applies in respect of the assessment roll prepared for the purpose of taxation during the 1987 and subsequent calendar years.

Classification of land as a farm

3. (1) In order for land to be classified as a farm, the application made under section 28 (1) of the *Assessment Act* must be submitted prior to July 1 and must show that the primary agricultural production on the land by the owner or lessee has been produced and sold in either the 12 month period ending July 1, or in the preceding 12 month period, and had a gross value of production at farm gate prices of at least

(a) where the area of land is 4 ha or less, $1 600, but, where land is less than 8000 m^2, the assessor must be satisifed the owner earns the greater part of his livelihood from the primary agricultural products produced on the land, or
(b) where the area of land is more than 4 ha, $1 600 plus 5% of the actual value of the land for farm purposes in excess of 4 ha.

(2) Notwithstanding subsection (1) (a) and (b), the assessor shall classify land as a farm provided the application form referred to in subsection (1) shows that

(a) in the case of crops that require 2 or more years to establish before production can occur, there is a sufficient area prepared and planted to meet the requirements of subsection (1) (a) or (b) when production occurs,
(b) in the case of livestock operations, all buildings, structures and fencing are completed for livestock containment and the applicant certifies the operation will meet the requirements of subsection (1) (a) or (b) the following year,
(c) in the case of greenhouse, mushroom and poultry operations, the buildings and structures are completed and the applicant certifies the operation will meet the requirements of subsection (1) (a) or (b) the following year, or
(d) in the case of aquiculture, the land is seeded, planted or stocked to a sufficient extent to meet the requirements of subsection (1) (a) or (b) when the product is available for marketing.

(3) For the purpose of subsection (1) (b), the definition of "July 1" in section 1 (1) does not apply and the actual value of the land for farm purposes shall be determined as at July 1 of the year preceding the year during which the assessment roll is prepared.

Determining gross value of annual production

4. In determining the gross value of the annual production, the assessor shall include any unrealized value of primary agricultural production on the land in the 12 month period ending July 1.

Integrated farm operation

5. (1) In this section **"lease"** means the lease of an area of land of greater than 8 000 m^2.

(2) Land may be classified as a farm where

(a) it consists of all or part of any parcel or group of parcels of land, contiguous or not, making up a tract of land owned or held under a written lease by a person singly or jointly with any other person or persons and operated as an integrated farm operation for primary agricultural production, and

(b) the integrated farm operation meets the other requirements of this regulation.

(3) The lease document must contain the names of the parties, the legal or other well defined description of the land being leased, commencement date and duration of the lease and the amount of rent payable.

Farm gate price from a feedlot

6. The assessor shall determine the annual gross value of production at farm gate prices from a feedlot by subtracting the price paid by the operator for the livestock from the price obtained by the operator on the sale of the livestock.

Approval of a farm development plan

7. (1) In this section **"capital expenditure"** means

(a) expenditure related to land clearing and preparation, drainage and irrigation, but not for the purchase of land,

(b) expenditure related to the construction of farm outbuildings and structures, but not to the construction of a dwelling or ancillary improvements, and

(c) expenditure for the purchase of livestock, machinery and equipment on the farm and which is necessary for the farm operation.

(2) The assessor shall classify land as a farm where each of the following conditions is met:

(a) the owner of the land applies to the commissioner to have the land so classified and submits a plan establishing that he is developing a farm that will meet the standards specified in section 3 (1);

(b) the commissioner receives the application and the plan before July 1; and

(c) the commissioner is satisfied that the land is being developed as a farm unit and that at least 50% of the capital expenditure to implement the plan has been made.

(3) For this section, annual crops planted but not harvested before July 1 form part of the development plan.

(4) The time frame to meet the income requirements may vary depending on the type of farm operation but shall not exceed 5 years.

(5) The classification shall be revoked if the development plan is not followed or completed.

(6) An application made under this section shall be in the form prescribed by the Assessment Commissioner under section 28 (1) of the *Assessment Act* and shall contain

(a) the legal or other well defined description of the land to be developed or improved,
(b) the type of primary agricultural production that will occur on the land,
(c) details of the nature of improvements to be made or constructed for the operation of the farm, excluding any dwelling,
(d) details of the present machinery inventory and intended purchases,
(e) a schedule of when developments or improvements will be completed,
(f) the estimated costs of the development program,
(g) the date the requirements of section 3 (1) will be met, and
(h) details of any improvements or development completed at the time of submission of the farm development plan.

De-classification where land not in production

8. Notwithstanding anything contained in this regulation, land that ceases to be used for primary agriculture production shall not be classified as a farm.

[Provisions of the *Assessment Act* relevant to the enactment of this regulation: section 28 (2)]

Appendix 2

Primary Property Tax Legislation

ASPECT OF TAX AFFECTED	STATUTORY MECHANISM	SECTION REFERENCES FOR VARIOUS USES			
		FARMLAND (CLASSIFIED)	FARM BUILDINGS AND EQUIPMENT	FARM RESIDENCE	NON-FARM USES (SEE B.C. REG.438/81)
1 ACTUAL VALUE	Assessment Act and Regulation	Sec. 28(3), (5); B.C. REG. 298/85: (Farm Class Stds.) B.C. Reg. 276/84: (Farmland Valuation)	Sec. 26(1): Actual values (ie. market value)	Sec. 26(1): (ie. market value)	Sec. 26(1), 27, 29. Actual value (ie. market values - although lower for tree farm land)
2 EXEMPTIONS a) Municipal areas	Municipal Act	Sec. 398(1): (fruit trees)	Sec. 398(m): (exemption of first $50,000 of assessed value) Sec. 398(n): (all farm equipment exempt) Sec. 398(q): (manure facilities)	No exemption	Sec. 400(1) (d): (Council may exempt agricultural or horticultural societies)
b) Rural areas	Taxation (Rural Area) Act	Sec. 13(e): (fruit trees)	Sec. 13(f,r): (improvements and manure facilities)	Sec. 13(f): (residence)	Sec. 13(j): (agricultural or horticultural societies
c) Schools	Education (Interim) Finance Act	Sec. 24: 50%	Sec. 25(3): (Exemption of all farm equipment and of first $50,000 of assessed value)	No exemption	Sec. 24: (50% exemption for vacant or residential land (assessment Class 1) in the ALR)
d) Hospitals	Hospital District Act	Sec. 27: (exemptions as above: section incorporates provision of Education (Interim) Finance Act)	(as above)	(as above)	(as above)
3 TAX RATES a) Municipal	Municipal Act	Sec. 273, 274: (Municipal authorities establish tax rate)	(as left)	(as left)	(as left)
b) Schools	Education (Interim) Finance Act	Sec. 18(4); B.C. Reg 890/85: Non-residential rate set by Province	Sec. 14(7): Residential rate (Class 1) set by school district	(as left)	Sec. 14(3) or 18(4)
c) Rural	Taxation (Rural Area) Act	Sec. 19(1); B.C. Reg 387/82: Farmland: $0.50/1000	N/A	N/A	Sec. 19(1); B.C. Reg 387/82: Residential - $1.40/1000 Industrial - $4.40/1000 Business - $3.20/1000 Tree Farm - $8.00/1000
4 RATE RATIOS Inter-class ratios in relation to Residential	Municipal Act Taxation (Rural Area) Act	Sec. 274, 794, 833; B.C. Reg 62/84; and Sec. 9(2) B.C. Reg 205/84: Farmland - 1.0:1	N/A	N/A	(Regs as at left): Industrial - 3.40:1 Business - 2.45:1 Tree Farm - 8.00:1